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NATIONAL INTELLIGENCE DAILY CABLE

Thursday August 26, 1976

CI NIDC 76-201C

State Department review completed

**NATIONAL SECURITY INFORMATION**  
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Approved For Release 2006/03/17 : CIA-RDP79T00975A029200010044-9

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National Intelligence Daily Cable for Thursday, August 26, 1976

The NID Cable is for the purpose of informing senior US officials.

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Approved For Release 2006/03/17 : CIA-RDP79T00975A029200010044-9

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KOREA: Situation Report

[REDACTED] The North Korean proposal at the meeting of the Military Armistice Commission yesterday seems designed to demonstrate that Pyongyang is seeking a constructive approach to reducing tensions. The North Koreans described their proposal to separate the security personnel of both sides in the Joint Security Area as a way to avert further incidents.

25X1 [ ] According to the North Korean statement, all previous incidents were "directly related" to the fact that opposing military personnel must "stand face to face" or "pass by" the other side's guard posts.

25X1 [ ] The North Koreans, in effect, are taking up a proposal for a separation of personnel made by the UN Command in 1953 and again in 1970. At present, the UN Command has no guard posts in the North Korean portion of the Joint Security Area. Thus, it appears that it would only require the North Koreans to pull their guard posts back in order to implement their proposal.

25X1 [ ] In addition to creating a favorable impression abroad of North Korean "reasonableness," the proposal probably is aimed at deflecting attention from the UN Command's demands for North Korean assurances that the safety of UN personnel be protected and that freedom of movement for both sides in the Joint Security Area will be respected.

25X1 [ ] Pyongyang may calculate that acceptance by the UN Command of the proposal could be portrayed as acquiescence in President Kim Il-song's call last Friday for joint efforts to prevent a recurrence of the incident of August 18. On the other hand, the North Koreans may believe that rejection of the proposal by the UN, pending North Korean assurances on the safety of UN personnel, would leave the UN Command vulnerable to charges that it was unwilling to accept a reasonable measure to avert further incidents.

25X1 [ ] During the meeting yesterday, the North Koreans repeatedly turned aside inquiries about the assault last week, asserting that the subject had been adequately treated in Kim Il-song's message which termed the incident "regrettable" but evaded the question of responsibility.

25X1 [ ] Probably with an eye toward the large press representation from the West, the North Koreans were on their best behavior at the meeting, which was businesslike and devoid of the customary communist invective. 25X1

CHINA: Anti-Teng Economics

25X1 [ ] Economic factors may be working to the advantage of Peking moderates in their efforts to hold in check the campaign against former vice premier Teng Hsiao-ping and his supporters.

25X1 [ ] A *People's Daily* editorial published Monday appears to reflect a growing concern within the Chinese leadership over the effects of the campaign on industrial production. It calls for tighter party control over anti-Teng activities, for more leniency in dealing with other alleged "capitalist roaders," and for an end to factionalism. It is also the first editorial since early April that has repeated an injunction against forming "fighting groups."

25X1 [ ] The guidelines in the editorial take the hardest line against disruptive activities since Teng first came under attack and they may reflect rising moderate influence. While widespread disorders would not seem to be in the interest of the radical faction, the left has often appeared to condone, if not encourage, a certain amount of ferment at the grassroots level as a means of exerting pressure on political opponents.

25X1 [ ] Campaign-related factionalism and wall poster attacks on provincial leaders have been evident in a number of places for some time, particularly in Fukien and Chekiang.



25X1

[REDACTED]

provincial leaders with close moderate connections who had been out of sight for some time have reappeared. In Fukien, the re-emergence of first party secretary Liao Chih-kao was accompanied by a high-level provincial party meeting seeking a solution to the chronic factionalism there.

25X1

[REDACTED] The recent series of earthquakes in China have also probably worked to the advantage of the moderates. In the wake of these disasters, moderates are undoubtedly contending that substantial industrial losses make it even more imperative that production receive higher priority. This argument seemed to be tacitly acknowledged in a *People's Daily* editorial two weeks ago which warned against using the quake to divert attention from the anti-Teng campaign.

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[REDACTED] //In addition, the moderates may now be in a better position to defend certain economic policies closely associated with Teng which are under radical fire. [REDACTED]

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[REDACTED] The pace of whole-plant imports and raw-material exports has been a major bone of contention in Peking's leadership for some time. In this regard, the fifth Five-Year Plan, which was scheduled to take effect last January, has yet to be finalized. [REDACTED]

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NAMIBIA: Election

25X1 [ ] Conservative whites have retained control of the Namibian branch of South Africa's ruling National Party in an election held Tuesday, the opening day of the branch party's annual congress.

25X1 [ ] Moderates in the party, led by Deputy Chairman Dirk Mudge, had been privately predicting that they would wrest control from the conservative chairman, A. H. du Plessis. Both men were re-elected to their posts.

25X1 [ ] The outcome of the election casts serious doubt on the future of the plan for Namibian independence released last week by a committee of the multiracial constitutional conference. That plan called for an interim government and independence by December 31, 1978. It is supported by the white moderates, but is opposed by conservatives who are not reconciled to losing control of the territory.

25X1 [ ] The US embassy in Pretoria believes that South African Prime Minister Vorster privately intervened to see that the plan was publicized, but he was not willing to see an open party split. The ambiguities of the plan and the outcome of the party election can be used by Vorster to reassure Namibia's white settlers that Pretoria will not be stampeded into precipitate action on the future of the territory. [ ]

25X1

INDIA-USSR: Relations Threatened

25X1 [ ] A long-standing dispute over exchange rates is threatening to damage the close political relationship between India and the USSR.

25X1 [ ] An official of the Indian External Affairs Ministry whose responsibilities include relations with the USSR told US embassy officials on Monday that he did not expect an agreement to come from negotiations slated to take place in New Delhi next week on the Soviets' demand for a new rate favorable to Moscow.

25X1 [ ] The official indicated his government is prepared to agree to a new rate for future transactions, but opposes retro-active application of any change. The Indians claim they stand to lose about \$500 million if a new rate is applied to outstanding Soviet loans.

25X1 [ ] According to the official, the Indian government considers the issue to be of great political as well as economic significance and will not succumb to Soviet pressure. He added that "very senior people" in the Indian government are ready to accept a major change in Indo-Soviet relations, such as a reduction in Indian arms purchases and bilateral trade, if Moscow does not back down.

25X1 [ ] the Indians are increasingly dissatisfied with numerous aspects of Indo-Soviet economic relations. Repeated Indian attempts to secure from Moscow more advantageous terms on aid and trade have been largely unsuccessful. New Delhi's frustration--at a time when Indian planners are trying to spur economic development and have come to recognize the limitations of Soviet aid--probably partially accounts for the emotional overtones that have surrounded the rupee-ruble issue.

25X1 [ ] The Indian official could be overstating the willingness of his government to accept a major change in its relationship with Moscow. Prime Minister Gandhi is unlikely to take any action that would abruptly jeopardize relations with India's major arms supplier.

25X1 [ ] Gandhi has, however, permitted a gradual cooling in Indo-Soviet relations over the last several years. Her self-confidence has grown as a result of her assumption of authoritarian power and India's somewhat improved relations with China, Pakistan, and the US. Such factors probably are encouraging the Indians to stand up to the USSR on a matter in which they see their economic and political interests deeply involved

25X1 [ ]

EGYPT: Sadat Nominated

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[REDACTED] President Sadat was unanimously nominated yesterday by the Egyptian People's Assembly to a second six-year term. His nomination will be voted on in a popular referendum on September 16, and he will take the oath of office on October 16.

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[REDACTED] Under Egypt's constitution, nomination of a candidate by the People's Assembly must be by a two-thirds majority. Fourteen other candidates are reported to have submitted their names yesterday, but none received a vote.

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[REDACTED] Election of a new People's Assembly is also scheduled for this fall. The general election will take place on October 28, and run-offs, if necessary, will be held on November 4.

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JAPAN: Leadership Fight

25X1

[REDACTED] Talks between Prime Minister Miki, Deputy Prime Minister Fukuda, and Finance Minister Ohira yesterday and on Tuesday failed to result in any announced decision on Miki's tenure in office. No further meetings are scheduled for now, and neither Miki nor his opponents have altered their public positions.

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[ ] As the Prime Minister's recognized successor, Fukuda holds the key role in the oust-Miki campaign and his explicit consent is mandatory to any action by the party to remove Miki. The caucus of the ruling Liberal Democratic Party adopted a motion yesterday calling for "freshening the party leadership"--a codeword for Miki's removal--but refrained from passing a specific no-confidence motion against the Prime Minister for the time being.

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[ ] Fukuda has preferred all along that Miki be removed by negotiation rather than as a result of an open party battle. He may well find the idea of Miki's voluntary resignation attractive even at the price of a few additional weeks in office for the Prime Minister.

25X1

[ ] Like Ohira, however, Fukuda is well aware that allowing Miki to convene the Diet offers him a number of opportunities to extend his political life. Miki could, for example, use the expected opposition of the left wing to the pending fiscal bills to delay their passage for weeks, thereby diminishing both the mood and the time available for any change in leadership before the general election.

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[ ] Even so, Fukuda and Ohira hold the balance of power in the party and, barring any major disagreement between them, still retain the option of precipitating a cabinet crisis that could well force Miki's resignation. [ ]

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[ ]

#### THAILAND: Defense Minister Resigns

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[ ] The resignation yesterday of Thai Defense Minister Thawit may open the way for Prime Minister Seni to reward military leaders who stood by the government during the unauthorized return last week of former strongman Praphat.

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[ ]

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25X1 [redacted] Having well-connected professional military allies in the cabinet could strengthen Seni's hand in keeping the military under control, but risks alienating other senior officers.



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GREECE-TURKEY: Aegean

25X1 [redacted] The UN Security Council yesterday concluded its debate on the Aegean continental shelf dispute by approving a resolution designed to placate Greece without unduly antagonizing Turkey.

25X1 [redacted] The resolution urges both parties to exercise restraint, calls on them to resume direct negotiations, and reminds them of the role the International Court of Justice could play in settling their remaining differences.



25X1

25X1 [ ] Passed by consensus, the resolution was the result of nearly two weeks of hard bargaining. The Greeks originally sought strong references to Turkish seismic exploration in contested areas and to international adjudication. The Turks fought hard to dilute such references after they failed to fend off a formal resolution.

25X1 [ ] Greek Prime Minister Caramanlis expressed satisfaction with the resolution--especially its reference to the Court--and called on Turkey to abide by its recommendations. Caramanlis has staked his prestige on his simultaneous appeals to the Security Council and the International Court.

25X1 [ ] After adoption of the resolution Caglayangil said his government still held that there was no need for the measure. He added that Athens' unilateral application to The Hague Court was contrary to the spirit of the resolution and said that in this instance Turkey will not recognize Court action as binding. The Turks have declined to participate in the Court's hearings on the Greek appeal which began on Wednesday. Turkish Foreign Ministry sources yesterday were quoted as saying that to do so would merely give legitimacy to the Greek case.

25X1 [ ] The continued tension resulting from the Aegean dispute may be spilling over into Cyprus, where there apparently was a serious violation of the cease-fire by Turkish forces in Nicosia yesterday. Turkish troops also advanced at several points into the UN-patrolled neutral area separating the two zones. This action apparently was intended to back up the Turks' claim to use half of the neutral area for farming purposes even

though they had earlier agreed to exclusive Greek Cypriot use of the entire area. UN officials in Cyprus are scheduled to meet with Turkish authorities today to discuss the issue. [REDACTED]

25X1

FRANCE: New Prime Minister

[REDACTED] President Giscard yesterday named Raymond Barre to succeed Jacques Chirac, who resigned as prime minister after disagreements with the President over government policy and political strategy. A new cabinet is to be named by the end of the week.

[REDACTED] Barre, who is 52 years old, has no political affiliation. He listed himself as a member of the "presidential majority" when he was named minister of foreign commerce last January.

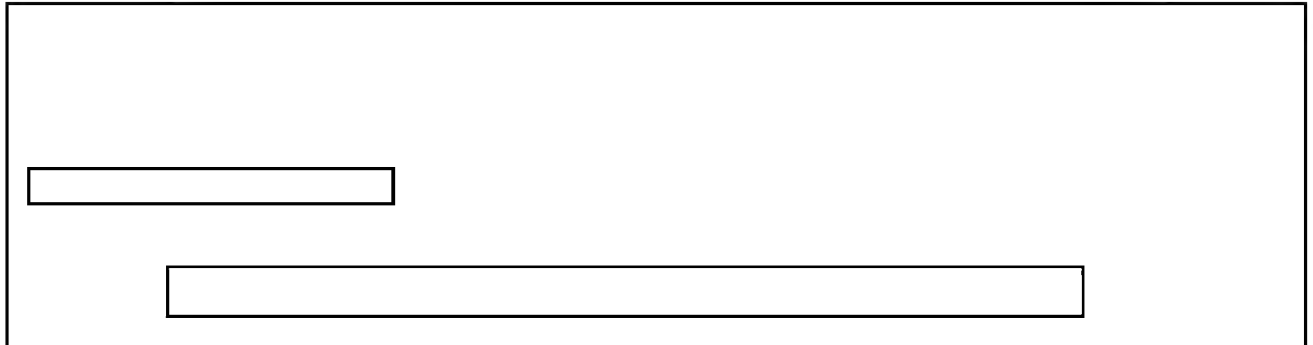
[REDACTED] Barre's appointment does not appear to indicate that the President is ready to break with the Gaullists. The cabinet shuffle may be a holding action, caused by Chirac's determination to get out. Some reports indicate that Giscard would have preferred to wait until after the municipal elections next March to make major changes.

[REDACTED] In a press conference after naming the new prime minister, Giscard indicated that Barre would be carrying out the President's instructions rather than initiating policy. Giscard also noted that the appointment reflects his desire to combine all parties of the governing majority into a "presidential majority" and eventually to form a center-left government.

[REDACTED] The choice of Barre, an economics expert, indicates that the new government will tackle more vigorously the problems of inflation, unemployment, and monetary stability that are of primary concern to the citizens and a crucial factor in the coalition's survival in the next legislative election.

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USSR-LIBYA-EGYPT: Soviet Comment

The USSR for the first time publicly acknowledged increased tension between Libya and Egypt. In a broadcast on Tuesday, the Soviets replayed Libyan denials of complicity in the hijacking of an Egyptian aircraft earlier this week.

The Soviets avoided suggesting either that Egypt was responsible for the incident or that it was seeking pretext for action against Libya.

The broadcast did not mention incidents between the two countries--Egypt's anti-Qadhafi rhetoric, or Cairo's blaming Libya for the hijacking incident. The broadcast charged that Israel and its backers were seeking to use such incidents to divide the Arab World.

The broadcast commented positively about alleged efforts to improve relations between Libya and Egypt and reproached Cairo for not doing more in this regard. This reproach, by Soviet standards, is mild given the USSR's poor state of relations with Egypt and its relatively better relations with Libya.

The USSR may be disinclined to get too closely associated with Libya and Qadhafi, particularly in view of his more adventuristic statements and actions in recent months.

Egypt late last night accused Libya of kidnaping on Tuesday two Egyptian security men from an Egyptian-chartered airliner at Tripoli airport. According to an Egyptian statement the plane was chartered from a US company and carried an American crew. Egypt called the incident an "act of air piracy" and warned it would take appropriate but unspecified countermeasures.

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